

PATTERSON LIBRARY

Financial Statements

December 31, 2021

PATTERSON LIBRARY
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BENDER & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL PLANNERS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Patterson Library

Opinion

We have audited the accompanying financial statements of Patterson Library (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patterson Library as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Patterson Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Patterson Library's ability to continue as a going concern within one year after the date that the financial statements are available to be issued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Patterson Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Patterson Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supporting schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bender & Associates, CPAs
Certified Public Accountants

Mount Kisco, New York
October 13, 2022

**PATTERSON LIBRARY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

	2021
Assets	
Cash and Cash Equivalents	\$ 816,347
Investments	7,496
Prepaid Expenses	1,000
Land, Buildings, and Equipment at Cost, Less Accumulated Depreciation of \$608,528	1,305,119
Total Assets	\$ 2,129,962
 Liabilities	
Accounts Payable	\$ 7,442
Accrued Expenses Payable	25,809
Mortgage Payable	263,630
Total Liabilities	296,881
 Net Assets	
Without Donor Restrictions	1,832,209
With Donor Restrictions	872
Total Net Assets	1,833,081
Total Liabilities And Net Assets	\$ 2,129,962

See accompanying notes and accountant's report.

**PATTERSON LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Revenues, Gains and Other Support			
Town of Patterson	\$ 873,583	\$ -	\$ 873,583
Putnam County	49,314	-	49,314
Donations and Grants - Other	2,004	7,985	9,989
Mid-Hudson	3,091	-	3,091
Brewster Schools	2,232	-	2,232
PPP Forgiveness	112,700	-	112,700
Fines	956	-	956
Investment Interest	1,275	-	1,275
Total Revenues, Gains and Other Support	<u>1,045,155</u>	<u>7,985</u>	<u>1,053,140</u>
Expenses			
Program Services	693,457	-	693,457
Supporting Services			
Fundraising	5,528	-	5,528
Management and General	153,825	-	153,825
Total Operating Expenses	<u>852,810</u>	<u>-</u>	<u>852,810</u>
Change in Net Assets	192,345	7,985	200,330
Satisfaction of Program Restrictions	11,045	(11,045)	-
Net Assets at Beginning of Year	<u>1,627,014</u>	<u>5,737</u>	<u>1,632,751</u>
Net Assets at End of Year	<u>\$ 1,830,404</u>	<u>\$ 2,677</u>	<u>\$ 1,833,081</u>

See accompanying notes and accountant's report.

**PATTERSON LIBRARY
STATEMENT OF CASH FLOWS
DECEMBER 31, 2021**

Cash Flows from Operating Activities	2021
Change in net assets	\$ 200,330
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	53,565
(Increase) decrease in operating assets	
Investments	(3)
Accounts Receivable	962
Prepaid Expenses	250
Increase (decrease) in operating liabilities	
Accrued Expenses	12,783
Accounts Payable	531
Net Cash Provided By Operating Activities	268,418
Cash Flows from Investing Activities	
Purchases of fixed assets	<u>(21,982)</u>
Net Cash (Used) By Investing Activities	(21,982)
Cash Flows from Financing Activities	
Mortgage payable	(39,809)
PPP Loan	(112,700)
Net Cash (Used) By Financing Activities	(152,509)
Net Increase in Cash and Cash Equivalents	93,927
Beginning Cash and Cash Equivalents	722,420
Ending Cash and Cash Equivalents	\$ 816,347

See accompanying notes and accountant's report.

**PATTERSON LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Patterson Library provides library services to the Town of Patterson, New York. The Library is supported primarily through taxes collected by the Town of Patterson based on a proposition voted on by the voters of the Town. The amount collected will continue from year to year until another proposition is placed on the ballot to change the amount. Approximately 93% of the Library's support for the year ended December 31, 2021 came from the Town of Patterson.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Patterson Library that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributed Services

During the year ended December 31, 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Patterson Library, but these services do not meet the criteria for recognition as contributed services.

Revenue Recognition

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities

FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606) was adopted for the year ended December 31, 2021. The core guidance in ASU 2014-09 is to recognize revenue, to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services as described above.

After a detail evaluation by the Library, it was determined that the adoption of ASU 2018-08 and ASC 606 do not result in a materially different revenue recognition as compared to previous accounting standards.

**PATTERSON LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Note 1 (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

It is the Library's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Library reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method.

Financial Statement Presentation

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Library is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions.

Contributions

Under ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, contributions received are recorded as net assets with or without donor restrictions depending on the existence or nature of any donor restrictions.

Income Taxes

The Library is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The prior four tax returns remain open to examination by the IRS.

**PATTERSON LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Note 1 (continued)

Investments in Marketable Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are realized.

There were no investments in marketable securities or debt securities in 2021.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Patterson Library considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Note 2 – Liquidity and Availability of Resources

The Library has an operating reserve that had a balance of \$200,475 at December 31, 2021. The Operating Reserve Policy (the “Policy”) has dedicated this reserve with the objective of setting funds aside to be drawn upon in the event of unexpected operating expenses. The Policy calls for the reserve to be funded at no less than 20% of the Library’s operating expenses. The operating reserve balance is included in the cash line on the statement of financial position.

The Library has a Capital Reserve Fund that had a balance of \$204,824 at December 31, 2021. The Capital Reserve Fund may be funded with surplus unrestricted operating funds. The Board of Trustees may, from time to time, direct that a specific source of revenue be set aside for the Capital Reserve Fund. The Capital Reserve Fund balance is included in the cash line on the statement of financial position.

The Library has \$615,872 of financial assets available as of the statement of financial position date to meet the needs for general expenditures consisting of cash, net of \$200,475 of operating reserves. The financial assets include \$872 which are subject to donor restrictions or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

**PATTERSON LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Note 3 – Investments

The Patterson Library held \$7,493 at December 31, 2021, in Certificates of Deposit as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
	<u> </u>	<u> </u>	<u> </u>
Staff Line Security	\$ 7,496	\$ 7,496	\$ -
Total	\$ 7,496	7,496	-

The following schedule summarizes the investment return and its classification in the statement of activities of the year ended December 31, 2021:

Interest Income	Total Unrestricted
Putnam County Savings Bank	\$ 755
Mahopac Bank	41
PPP Loan	475
Staff Line Security CD	4
	<u>\$ 1,275</u>

Note 4 – Property and Equipment

Property and equipment consist of the following:

	<u>2021</u>
Building Renovations	\$ 964,838
Building	599,182
Land	120,000
Furniture and Fixtures	119,655
Building Improvements	92,440
Dehumidification Project	34,754
Air Conditioning Program Room	14,497
Gazebo and Fence	10,210
Exterior Road Sign	7,485
Shed	4,154
	<u>1,967,215</u>
Less accumulated depreciation	<u>(662,096)</u>
	<u>\$ 1,305,119</u>

**PATTERSON LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Note 5 – Notes Payable, Long-Term Debt, And Other Obligations

During 2011, Patterson Library opened a Line of Credit which converted to a Permanent Mortgage Loan agreement with Putnam County Savings Bank to fund internal rehabilitation of the Patterson Library and the purchase of furniture, fixtures and equipment. The line of credit converted at the end of one (1) year to a ten (10) year mortgage loan, based upon a twenty-five (25) year amortization. The interest rate during the Line of Credit phase (one (1) year) and the Permanent Mortgage Loan (ten (10) years) is a fixed interest rate of 6.00%. Monthly payments during the first year were comprised of interest only and based upon the principal balance from the previous month. Patterson Library pledged as collateral to Putnam County Savings Bank a first mortgage, assignment of rents and leases and UCC lien filings on attachments and improvements to the property located at 1167 Route 311, Patterson, NY.

On August 28, 2020, the original mortgage note was amended and restated. The remaining outstanding principal balance of the original note on this date was \$313,165. The interest rate shall initially equal 3.75%, with potential changes on September 1, 2027 and on the first day of September every 84th month thereafter. The first payment on August 31, 2020 consisted of per-diem interest only. Monthly payments of principal and interest commenced on October 1, 2020 and shall continue until September 1, 2034 (Maturity Date).

Principal payments are due for the following years ending December 31,

	2022	\$	15,416
	2023		16,004
	2024		16,614
	2025		17,248
	thereafter		<u>198,348</u>
		\$	263,630
Cash payments for interest in 2021 totaled		\$	10,849

In addition, the organization received a loan from Putnam County Savings Bank (PCSB) in the amount of \$112,700 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was in the form of a Note dated April 18, 2020 and because the proceeds of the loan were used for eligible expenditures such as payroll and other expenses described in the CARES Act the loan was forgiven in its' entirety on June 16, 2021.

**PATTERSON LIBRARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Note 6 – Concentration of Credit Risk

The Library maintains its cash with major banking institutions in amounts that may, at times, be in excess of federal insurance limits. Management believes that the Library has no significant risk of loss on the accounts due to failure of the financial institutions. At December 31, 2021 there were no balances exceeding FDIC insurance limit of \$250,000. Patterson Library maintains minimal credit risk relative to its cash and investment accounts by using The Demand Deposit Marketplace Program, which increases its FDIC protection on its' deposits while continuing to allow them to process transactions at one bank.

Note 7 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services using appropriate measurement methodologies developed by management.

Note 8 – Commitments

The Library receives a substantial amount of its support from federal, state and local governments. A reduction in the level of this support, if this were to occur, may have an effect on the library's programs and activities.

Note 9 – Pump Station Project

The Library entered into an agreement dated October 30, 2014 with The Town of Patterson. The agreement pertained to the construction of a sewer pump station to connect the Library to a town sewage treatment plant. The agreement required the Library to transfer full ownership of the pump station to the Town of Patterson upon completion. The project was completed during 2016 for a total cost of \$35,323. The purpose of the project was to provide the Library access to the sewer system rather than continuing to maintain a separate septic system. The Library's access will terminate after 20 years beginning on or about December 31, 2016. During this period, the Library will compensate the Town for the sewage it receives from the Library as well as for the treatment and disposal of the sewage. The rate for this service will be in accordance with rates established by the town on an annual basis.

Note 10 – Evaluation of Subsequent Events

The Organization has evaluated subsequent events through October 13, 2022, the date which the financial statements were available to be issued and is not aware of any material subsequent events.

**PATTERSON LIBRARY
SUPPORTING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	<u>Program Service Expenses</u>	<u>Fundraising Expenses</u>	<u>Management and General Expenses</u>	<u>Total</u>
Salaries and Employee Benefits	\$426,862	\$4,449	\$89,321	\$520,632
Payroll Taxes and Insurance	48,403	505	10,128	59,036
Occupancy	32,704		3,634	36,338
Information Technology	45,820		935	46,755
Books, Materials, and Programs	44,361			44,361
Professional Fees	8,969		23,456	32,425
Interest Expense			10,849	10,849
Office Expenses	17,338	574	3,897	21,809
Grant Related Expenses	13,166			13,166
Public Relations	2,270		5,296	7,566
Insurance			4,630	4,630
Travel			1,679	1,679
Depreciation and Amortization	53,564			53,564
Total Expenses	<u>\$693,457</u>	<u>\$5,528</u>	<u>\$153,825</u>	<u>\$852,810</u>